

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 903 – HB 1372**

April 22, 2019

**SUMMARY OF BILL:** Creates a sales and use tax credit for cellular service providers that build a cell phone tower in an unserved area of the state. Establishes the amount of the credit to be half the cost of the lease of the property on which the cell phone tower is built.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Exceeds \$57,800**

**Decrease Local Revenue – Exceeds \$2,200**

Assumptions:

- Based on information provided by the Department of Revenue (DOR), there were 50 new cell towers built in 2018.
- The number of towers that will be built in the future which would qualify for the proposed tax credit is unknown.
- This legislation does not specify the time period that any qualifying cellular service provider may claim the proposed credit; therefore, it is assumed the tax credit could be claimed annually if all qualifying criteria are met.
- It is reasonable to assume that a minimum of 10 towers will qualify for the proposed sales and use tax credit each year.
- The average lease cost is estimated to be \$12,000 per tower per year.
- Total lease costs from which the proposed tax credit will be based are estimated to exceed \$120,000 per year (\$12,000 lease cost x 10 minimum towers).
- Therefore, the total recurring sales and use tax credit for cellular service providers is estimated to exceed \$60,000 (\$120,000 minimum lease costs x 50% tax credit) per year.
- One hundred percent of the tax credit will be used to offset the state sales and use tax liability.
- The state sales and use tax rate is 7.0 percent. The effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- The recurring decrease in state sales tax revenue is estimated to exceed \$57,830 [ $\$60,000 - (\$60,000 \times 3.617\%)$ ].
- The recurring decrease in local sales tax revenue is estimated to exceed \$2,170 ( $\$60,000 \times 3.617\%$ ).

## **IMPACT TO COMMERCE:**

### **Decrease Business Expenditures – Exceeds \$60,000**

Assumption:

- The proposed legislation will reduce the sales and use tax liability for cellular service providers that build a cell phone tower in an unserved area of the state by an amount estimated to exceed \$60,000 per year.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/jdb